



Economic &
Planning Systems

Real Estate Economics

Regional Economics

Public Finance

Land Use Policy

FINAL REPORT

FEASIBILITY STUDY OF DOWNTOWN AFFORDABLE HOUSING PROJECT



Prepared for:

City of Santa Barbara

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Prepared by:

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I. INTRODUCTION AND SUMMARY

INTRODUCTION

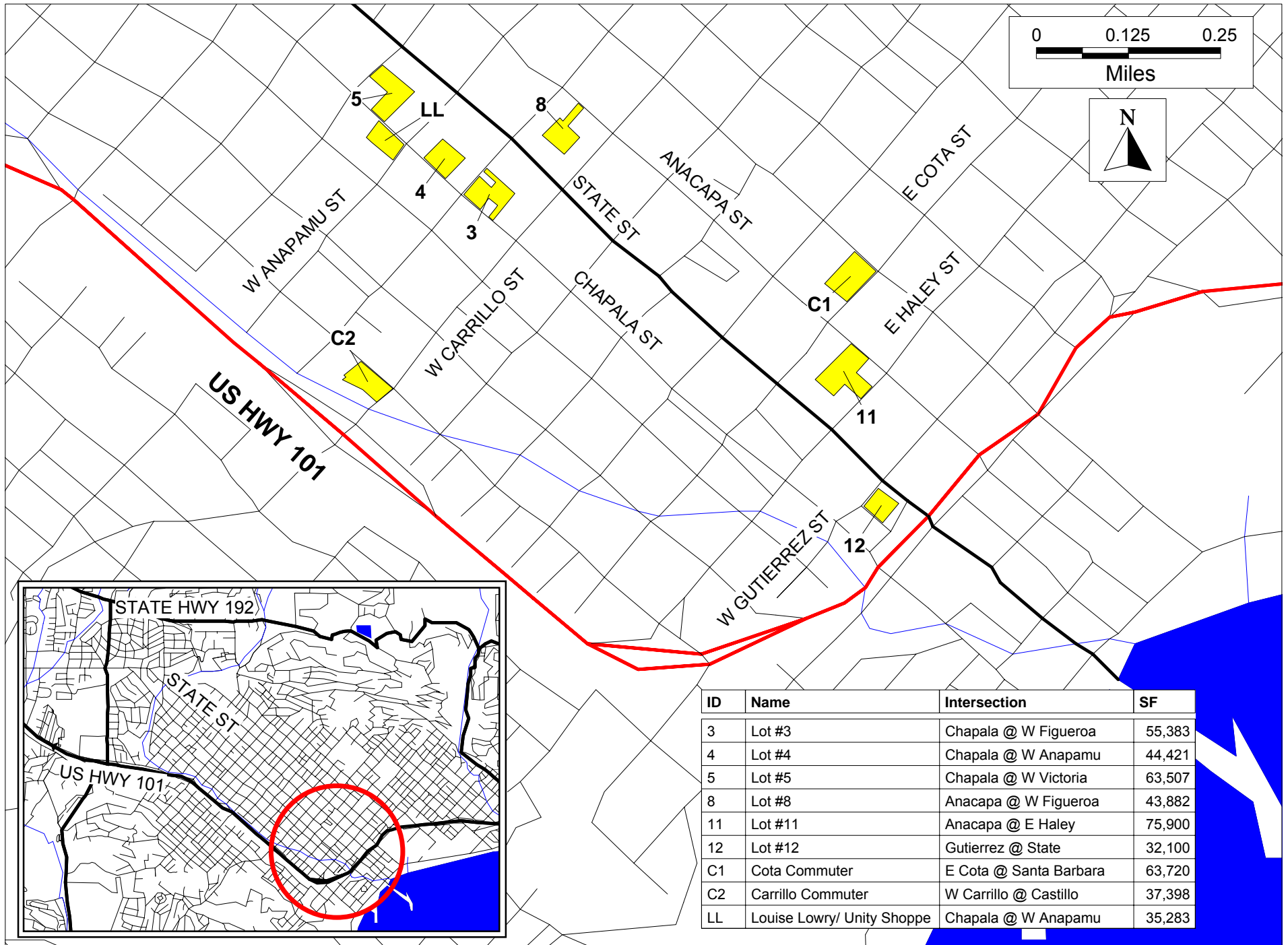
The City of Santa Barbara seeks to understand the feasibility and policy implications of developing affordable housing on nine City-owned surface parking lots located in its downtown area. **Figure 1** depicts the parking lots analyzed in this study. Due to the need for the City to maintain existing public parking spaces in the Downtown, an affordable housing project developed on a downtown City-owned lot would require affordable housing units to be developed above a structured parking garage that holds sufficient spaces to replace all existing spaces, as well as accommodate new spaces for project residents. Although the project precludes the City from having to acquire new, expensive land in the Downtown, the cost of structured replacement parking adds a significant cost burden to the project and influences the terms under which an affordable housing project could be feasible.

In conjunction with Peikert Group Architects, Economic & Planning Systems, Inc. (EPS) was retained by the City to assist in determining which of the properties are most suitable as affordable housing sites, and under what terms it is financially feasible to develop affordable housing above structured replacement parking. The purpose of this analysis was not to recommend a specific development project to the City for implementation. Further refinement and more detailed analysis should be conducted on the development alternatives that are determined to best meet the City's policy objectives before the City takes the next step in the development process.

EPS first conducted a site evaluation and ranking of the nine properties according to various feasibility criteria including suitability for residential development, accessibility, parking issues, environmental concerns, and site development potential. Based on the results of this analysis, two of the highest ranked sites were selected by City staff for further review: the Louise Lowry and Cota Commuter lots.

Affordable housing development programs, including ownership and rental housing scenarios at a mix of affordability levels, were developed for the Louise Lowry and Cota Commuter lots and financial feasibility analyses were conducted. The financial feasibility analysis compared development revenues to costs for various development scenarios for both lots to determine if, and how much of, a funding gap exists for the implementation of the various projects. **Tables 1** through **8** summarize the development scenarios and the results of the financial feasibility for both lots. Detailed financial feasibility analyses for the development scenarios for the Louise Lowry and Cota Commuter lots are provided in **Appendices A** and **B**, respectively. This Report summarizes the methodology, including key assumptions, and results of both the site evaluation and financial feasibility analysis.

Figure 1
Downtown Santa Barbara Parking Lots



Summary Table 1: Louise Lowry Site -- Ownership Project with Ground Floor Commercial

Item	Moderate Income ⁽¹⁾			Middle Income ⁽²⁾		Maximize Return ⁽³⁾
	100% Affordable	\$80,000 Max Subsidy	Nominal Subsidy	100% Affordable	Nominal Subsidy	100% Market Rate
Residential Units ⁽⁴⁾						
Affordable ⁽⁵⁾	37	32	20	37	25	0
Market Rate ⁽⁶⁾	<u>0</u>	<u>5</u>	<u>17</u>	<u>0</u>	<u>12</u>	<u>15</u>
Total ⁽⁷⁾	37	37	37	37	37	15
Commercial S.F. ⁽⁸⁾	8,000	8,000	8,000	8,000	8,000	8,000
Parking Spaces						
Residential ⁽⁹⁾	46	51	63	46	58	34
Commercial ⁽¹⁰⁾	12	12	12	12	12	12
Replacement ⁽¹¹⁾	<u>109</u>	<u>109</u>	<u>109</u>	<u>109</u>	<u>109</u>	<u>109</u>
Total	167	172	184	167	179	155
Subsidy Needed ⁽¹²⁾	\$3,630,080	\$2,507,689	\$0	\$1,947,267	\$0	\$0
Subsidy Per Aff. Unit	\$98,110	\$78,809	\$0	\$52,629	\$0	\$0
% Affordable Units	100%	86%	54%	100%	68%	0%
Potential City Return	\$0	\$0	\$0	\$0	\$0	\$2,239,338

Footnotes to Table 1

- (1) Moderate income limits represent a maximum income of 120 percent of AMI. Prices are targeted to be affordable to 100 percent AMI.
- (2) Middle income limits represent a maximum income of 160 percent of AMI. Prices are targeted at 120 percent AMI. Although the 100 percent affordable scenario shows a need for additional subsidy, there are few funding sources targeted at this level of affordability. Other funding sources will need to be identified to facilitate the development of an 100 percent affordable, middle-income project.
- (3) This scenario demonstrates the amount of profit a market rate ownership project could generate that could be used to build affordable housing elsewhere.
- (4) Assumes a three-story above ground mixed-use project including two-stories of housing above two levels of parking (one below and one above grade). The affordable units are on average 850 s.f., and market rate units are on average 1,150 s.f., representing various potential mixes of unit types (e.g., one-third three, two, and one-bedroom units). These scenarios result in 48 units per acre for the affordable housing projects, and 42 units per acre for the market rate "maximize return" scenario. These densities represent a density bonus in the range of 220 to 250 percent. See **Appendix A** for detailed development programs and financial analysis.
- (5) Assumes a \$227,000 home price affordable to households at 100 percent AMI and \$273,000 for households at 120 percent AMI, based on an AMI of \$60,600.
- (6) Assumes a \$500 per square foot home price, resulting in a per unit price of \$575,000. For the "100% Market Rate Scenario" the market rate units are assumed to sell for \$700 per square foot for an average 1,250 s.f. unit.
- (7) The total number of units varies depending on the number of market rate units included in the project. Market rate units are larger and reduce the overall number of units that can be accommodated by the site.
- (8) The revenues from commercial development cover the associated costs, not including the cost of replacement parking.
- (9) Assumes one space per affordable unit and two spaces per market rate unit, as well as one visitor space for every four units. These parking requirements assume an exception is made to current City parking standards for mixed-income projects.
- (10) Assumes one space per 500 square feet of commercial space, and a 25 percent zone-to-benefit.
- (11) Assumes a 1:1 replacement policy.
- (12) Financial analysis assumes a \$140,000 relocation cost of the existing building, and no land acquisition cost.

Sources: City of Santa Barbara, Peikert Group Architects, and Economic & Planning Systems

Summary Table 2: Louise Lowry Site -- Ownership Project without Ground Floor Commercial

Item	Moderate Income ⁽¹⁾		Middle Income ⁽²⁾		Maximize Return ⁽³⁾
	100% Affordable	Nominal Subsidy	100% Affordable	Nominal Subsidy	100% Market Rate
Residential Units ⁽⁴⁾					
Affordable ⁽⁵⁾	45	28	45	35	0
Market Rate ⁽⁶⁾	0	17	0	10	15
Total ⁽⁷⁾	45	45	45	45	15
Commercial S.F. ⁽⁸⁾	0	0	0	0	0
Parking Spaces					
Residential ⁽⁹⁾	56	73	56	66	34
Commercial ⁽¹⁰⁾	0	0	0	0	0
Replacement ⁽¹¹⁾	109	109	109	109	109
Total	165	182	165	175	143
Subsidy Needed ⁽¹²⁾	\$3,666,962	\$0	\$1,620,297	\$0	\$0
Subsidy Per Aff. Unit	\$81,488	\$0	\$36,007	\$0	\$0
% Affordable Units	100%	62%	100%	78%	0%
Potential City Return	\$0	\$0	\$0	\$0	\$2,080,938

Footnotes to Table 2

- (1) Moderate income limits represent a maximum income of 120 percent of AMI. Prices are targeted to be affordable to 100 percent AMI.
- (2) Middle income limits represent a maximum income of 160 percent of AMI. Prices are targeted at 120 percent AMI. Although the 100 percent affordable scenario shows a need for additional subsidy, there are few funding sources targeted at this level of affordability. Other funding sources will need to be identified to facilitate the development of an 100 percent affordable, middle-income project.
- (3) This scenario demonstrates the amount of profit a market rate ownership project could generate that could be used to build affordable housing elsewhere.
- (4) Assumes a three-story above ground mixed-use project including two-stories of housing above two levels of parking (one below and one above grade). The affordable units are on average 850 s.f., and market rate units are on average 1,150 s.f., representing various potential mixes of unit types (e.g., one-third three, two, and one-bedroom units). These scenarios result in 58 units per acre for the affordable housing projects, and 51 units per acre for the market rate "maximize profit" scenario. These densities represent a density bonus of 300 and 270 percent, respectively. See **Appendix A** for detailed development programs and financial analysis.
- (5) Assumes a \$227,000 home price affordable to households at 100 percent AMI and \$273,000 for households at 120 percent AMI, based on an AMI of \$60,600.
- (6) Assumes a \$500 per square foot home price, resulting in a per unit price of \$575,000. For the "100% Market Rate Scenario" the market rate units are assumed to sell for \$700 per square foot for an average 1,250 s.f. unit.
- (7) The total number of units varies depending on the number of market rate units included in the project. Market rate units are larger and reduce the overall number of units that can be accommodated by the site.
- (8) Assumes commercial square footage is converted to additional housing. This space could also be used for other purposes including a community facility or arts/cultural space.
- (9) Assumes one space per affordable unit and two spaces per market rate unit, as well as one visitor space for every four units. These parking requirements assume an exception is made to current City parking standards for mixed-income projects.
- (10) Assumes one space per 500 square feet of commercial space, and a 25 percent zone-to-benefit.
- (11) Assumes a 1:1 replacement policy.
- (12) Financial analysis assumes a \$140,000 relocation cost of the existing building, and no land acquisition cost.

Sources: City of Santa Barbara, Peikert Group Architects, and Economic & Planning Systems

Summary Table 3: Louise Lowry Site -- Rental Project

Item	Plus Commercial	No Commercial
Residential Units ⁽³⁾		
Total	— —	— —
Commercial S.F. ⁽⁶⁾		
Parking Spaces		
Total	— —	— —
Subsidy Needed ⁽¹⁰⁾ Subsidy Per Aff. Unit		

Footnotes to Table 3

Appendix A

Summary Table 4: Cota Site -- Ownership Project with Ground Floor Commercial

Item	Moderate Income ⁽¹⁾			Middle Income ⁽²⁾		Maximize Return ⁽³⁾
	100% Affordable	\$80,000 Max Subsidy	Nominal Subsidy	100% Affordable	Nominal Subsidy	100% Market Rate
Residential Units ⁽⁴⁾						
Affordable ⁽⁵⁾	74	63	34	74	50	0
Market Rate ⁽⁶⁾	<u>0</u>	<u>11</u>	<u>35</u>	<u>0</u>	<u>23</u>	<u>30</u>
Total ⁽⁷⁾	74	74	69	74	73	30
Commercial S. F. ⁽⁸⁾	3,000	3,000	3,000	3,000	3,000	3,000
Parking Spaces						
Residential ⁽⁹⁾	93	104	121	93	115	68
Commercial ⁽¹⁰⁾	3	3	3	3	3	3
Replacement ⁽¹¹⁾	<u>219</u>	<u>219</u>	<u>219</u>	<u>219</u>	<u>219</u>	<u>219</u>
Total	315	326	343	315	337	290
Subsidy Needed ⁽¹²⁾	\$7,295,910	\$4,890,787	\$0	\$3,930,284	\$0	\$0
Subsidy Per Aff. Unit	\$98,593	\$77,755	\$0	\$53,112	\$0	\$0
% Affordable Units	100%	85%	49%	100%	68%	0%
Potential City Return	\$0	\$0	\$0	\$0	\$0	\$4,442,925

Footnotes to Table 4

- (1) Moderate income limits represent a maximum income of 120 percent of AMI. Prices are targeted to be affordable to 100 percent AMI.
- (2) Middle income limits represent a maximum income of 160 percent of AMI. Prices are targeted at 120 percent AMI. Although the 100 percent affordable scenario shows a need for additional subsidy, there are few funding sources targeted at this level of affordability. Other funding sources will need to be identified to facilitate the development of an 100 percent affordable, middle-income project.
- (3) This scenario demonstrates the amount of profit a market rate ownership project could generate that could be used to build affordable housing elsewhere.
- (4) Assumes a three-story above ground mixed-use project including two-stories of housing above two levels of parking (one below and one above grade). The affordable units are on average 850 s.f., and market rate units are on average 1,150 s.f., representing various potential mixes of unit types (e.g., one-third three, two, and one-bedroom units). These scenarios result in range of 43 to 46 units per acre for the affordable housing projects, and 37 units per acre for the market rate "maximize profit" scenario. These densities represent a density bonus of approximately 250 and 200 percent, respectively. See **Appendix B** for detailed development programs and financial analysis.
- (5) Assumes a \$227,000 home price affordable to households at 100 percent AMI and \$273,000 for households at 120 percent AMI, based on an AMI of \$60,600.
- (6) Assumes a \$500 per square foot home price, resulting in a per unit price of \$575,000. For the "100% Market Rate Scenario" the market rate units are assumed to sell for \$700 per square foot for an average 1,250 s.f. unit.
- (7) The total number of units varies depending on the number of market rate units included in the project. Market rate units are larger and reduce the overall number of units that can be accommodated by the site.
- (8) Assumes less commercial square footage than at the Louise Lowry lot due to a less favorable location for retail space.
- (9) Assumes one space per affordable unit and two spaces per market rate unit, as well as one visitor space for every four units. These parking requirements assume an exception is made to current City parking standards for mixed-income projects.
- (10) Assumes one space per 500 square feet of commercial space, and a 50 percent zone-to-benefit.
- (11) Assumes a 1:1 replacement policy.
- (12) Financial analysis assumes no land acquisition cost.

Sources: City of Santa Barbara, Peikert Group Architects, and Economic & Planning Systems

Summary Table 5: Cota Site -- Ownership Project without Ground Floor Commercial

Item	Moderate Income ⁽¹⁾			Middle Income ⁽²⁾		Maximize Return ⁽³⁾
	100% Affordable	\$80,000 Max Subsidy	Nominal Subsidy	100% Affordable	Nominal Subsidy	100% Market Rate
Residential Units ⁽⁴⁾						
Affordable ⁽⁵⁾	77	69	39	77	55	0
Market Rate ⁽⁶⁾	<u>0</u>	<u>8</u>	<u>34</u>	<u>0</u>	<u>22</u>	<u>30</u>
Total ⁽⁷⁾	77	77	73	77	77	30
Commercial S.F. ⁽⁸⁾	0	0	0	0	0	
Parking Spaces						
Residential ⁽⁹⁾	96	105	125	96	118	68
Commercial ⁽¹⁰⁾	0	0	0	0	0	0
Replacement ⁽¹¹⁾	<u>219</u>	<u>219</u>	<u>219</u>	<u>219</u>	<u>219</u>	<u>219</u>
Total	315	324	344	315	337	287
Subsidy Needed ⁽¹²⁾	\$7,261,891	\$5,426,631	\$0	\$3,759,820	\$0	\$0
Subsidy Per Aff. Unit	\$94,310	\$79,186	\$0	\$48,829	\$0	\$0
% Affordable Units	100%	89%	53%	100%	71%	0%
Potential City Return	\$0	\$0	\$0	\$0	\$0	\$4,431,375

Footnotes to Table 5

- (1) Moderate income limits represent a maximum income of 120 percent of AMI. Prices are targeted to be affordable to 100 percent AMI.
- (2) Middle income limits represent a maximum income of 160 percent of AMI. Prices are targeted at 120 percent AMI. Although the 100 percent affordable scenario shows a need for additional subsidy, there are few funding sources targeted at this level of affordability. Other funding sources will need to be identified to facilitate the development of an 100 percent affordable, middle-income project.
- (3) This scenario demonstrates the amount of profit a market rate ownership project could generate that could be used to build affordable housing elsewhere.
- (4) Assumes a three-story above ground mixed-use project including two-stories of housing above two levels of parking (one below and one above grade). The affordable units are on average 850 s.f., and market rate units are on average 1,150 s.f., representing various potential mixes of unit types (e.g., one-third three, two, and one-bedroom units). These scenarios result in range of 45 to 48 units per acre for the affordable housing projects, and 39 units per acre for the market rate "maximize profit" scenario. These densities represent a density bonus of approximately 250 and 210 percent, respectively. See **Appendix B** for detailed development programs and financial analysis.
- (5) Assumes a \$227,000 home price affordable to households at 100 percent AMI and \$273,000 for households at 120 percent AMI, based on an AMI of \$60,600.
- (6) Assumes a \$500 per square foot home price, resulting in a per unit price of \$575,000. For the "100% Market Rate Scenario" the market rate units are assumed to sell for \$700 per square foot for an average 1,250 s.f. unit.
- (7) The total number of units varies depending on the number of market rate units included in the project. Market rate units are larger and reduce the overall number of units that can be accommodated by the site.
- (8) Assumes commercial square footage is converted to additional housing. This space could also be used for other purposes including a community facility or arts/cultural space.
- (9) Assumes one space per affordable unit and two spaces per market rate unit, as well as one visitor space for every four units. These parking requirements assume an exception is made to current City parking standards for mixed-income projects.
- (10) Assumes one space per 500 square feet of commercial space, and a 50 percent zone-to-benefit.
- (11) Assumes a 1:1 replacement policy.
- (12) Financial analysis assumes no land acquisition cost.

Sources: City of Santa Barbara, Peikert Group Architects, and Economic & Planning Systems

Summary Table 6: Cota Site -- Partial 4-Story Ownership Project with Ground Floor Commercial

Item	Moderate Income ⁽¹⁾		Middle Income ⁽²⁾	
	100% Affordable	Nominal Subsidy	100% Affordable	Nominal Subsidy
Residential Units ⁽³⁾				
Affordable ⁽⁴⁾	90	51	90	70
Market Rate ⁽⁵⁾	<u>0</u>	<u>34</u>	<u>0</u>	<u>19</u>
Total ⁽⁶⁾	90	85	90	89
Commercial S.F. ⁽⁷⁾	3,000	3,000	3,000	3,000
Parking Spaces				
Residential ⁽⁸⁾	113	140	113	130
Commercial ⁽⁹⁾	3	3	3	3
Replacement ⁽¹⁰⁾	<u>219</u>	<u>219</u>	<u>219</u>	<u>219</u>
Total	335	362	335	352
Subsidy Needed ⁽¹¹⁾	\$7,052,875	\$0	\$2,959,545	\$0
Subsidy Per Aff. Unit	\$78,365	\$0	\$32,884	\$0
% Affordable Units	100%	60%	100%	79%
Potential City Return	\$0	\$0	\$0	\$0

Footnotes to Table 6

- (1) Moderate income limits represent a maximum income of 120 percent of AMI. Prices are targeted to be affordable to 100 percent AMI.
- (2) Middle income limits represent a maximum income of 160 percent of AMI. Prices are targeted at 120 percent AMI. Although the 100 percent affordable scenario shows a need for additional subsidy, there are few funding sources targeted at this level of affordability. Other funding sources will need to be identified to facilitate the development of an 100 percent affordable, middle-income project.
- (3) Assumes a partial four-story above ground mixed-use project including three-stories of housing above two levels of parking (one below and one above grade). The affordable units are on average 850 s.f., and market rate units are on average 1,150 s.f., representing various potential mixes of unit types (e.g., one-third three, two, and one-bedroom units). These scenarios result in range of 53 to 56 units per acre for the mixed-income housing projects. These densities represent a density bonus of approximately 300 percent. **Appendix B** for detailed development programs and financial analysis.
- (4) Assumes a \$227,000 home price affordable to households at 100 percent AMI and \$273,000 for households at 120 percent AMI, based on an AMI of \$60,600.
- (5) Assumes a \$500 per square foot home price, resulting in a per unit price of \$575,000.
- (6) The total number of units varies depending on the number of market rate units included in the project. Market rate units are larger and reduce the overall number of units that can be accommodated by the site.
- (7) Assumes less commercial square footage than at the Louise Lowry lot due to a less favorable location for retail space.
- (8) Assumes one space per affordable unit and two spaces per market rate unit, as well as one visitor space for every four units. These parking requirements assume an exception is made to current City parking standards for mixed-income projects.
- (9) Assumes one space per 500 square feet of commercial space, and a 50 percent zone-to-benefit.
- (10) Assumes a 1:1 replacement policy.
- (11) Financial analysis assumes no land acquisition cost.

Sources: City of Santa Barbara, Peikert Group Architects, and Economic & Planning Systems

Summary Table 7: Cota Site -- Rental Project

Item	Plus Commercial		No Commercial	
	9% Tax Credit ⁽¹⁾	100% Market Rate ⁽²⁾	9% Tax Credit ⁽¹⁾	100% Market Rate ⁽²⁾
Residential Units ⁽³⁾				
Affordable ⁽⁴⁾	78	0	81	0
Market Rate ⁽⁵⁾	0	78	0	81
Total	78	78	81	81
Commercial S.F. ⁽⁶⁾	3,000	3,000	0	0
Parking Spaces				
Residential ⁽⁷⁾	97	175	101	182
Commercial ⁽⁸⁾	3	3	0	0
Replacement ⁽⁹⁾	219	219	219	219
Total	319	397	320	401
Subsidy Needed ⁽¹⁰⁾	\$298,240	\$15,430,915	\$0	\$15,726,693
Subsidy Per Aff. Unit	\$3,838	\$0	\$0	\$0
% Affordable Units	100%	0%	100%	0%
Potential City Return	\$0	\$0	\$0	\$0

Footnotes to Table 7

- (1) Assumes proceeds from a 9 percent tax credit on the eligible cost basis. The cost of replacement parking is included, assuming the public parking structure is owned by the project and allows for the non-exclusive use of the spaces by residents, or the City creates or utilizes its parking district to levy a parking fee equivalent to the per space cost of replacement parking.
- (2) The addition of market rate units does not improve the feasibility of the project. A 100 percent market rate rental project is infeasible.
- (3) Assumes a three-story above ground mixed-use project including two-stories of housing above two levels of parking (one below and one above grade). The affordable and market units are on average 850 square feet. The 9 percent tax credit scenario requires 50 percent three-bedroom units and 25 percent one- and two-bedroom units in order to be competitive for credits. These scenarios result in approximately 50 units per acre for both the affordable and market rate housing projects. These densities represent a density bonus in the range of 280 percent. See **Appendix B** for detailed development programs and financial analysis.
- (4) Assumes an average \$645 per month affordable rent for the designated mix of households at 47 percent AMI, based on an AMI of \$60,600. This assumes the tenant pays for utilities.
- (5) Assumes \$1.8 per s.f. monthly rent, resulting in \$1,530 per month rent for 850 s.f. unit.
- (6) Assumes commercial square footage is converted to additional housing. Revenues from commercial development cover the associated costs, not including the cost of replacement parking.
- (7) Assumes one space per affordable unit and two spaces per market rate unit, as well as one visitor space for every four units.
- (8) Assumes one space per 500 square feet of commercial space, and a 50 percent zone-to-benefit.
- (9) Assumes a 1:1 replacement policy.
- (10) Financial analysis assumes no land acquisition cost. If successful at competing for 9 percent tax credits, these scenarios could generate sufficient proceeds to help cover almost the full cost of development including replacement parking.

Sources: City of Santa Barbara, Peikert Group Architects, Frank Thompson Housing Consultant, and Economic & Planning Systems

Summary Table 8: 4-Story Cota Site -- Rental Project

Item	Plus Commercial		No Commercial	
	9% Tax Credit ⁽¹⁾	100% Market Rate ⁽²⁾	9% Tax Credit ⁽¹⁾	100% Market Rate ⁽²⁾
Residential Units ⁽³⁾				
Affordable ⁽⁴⁾	95	0	98	0
Market Rate ⁽⁵⁾	0	95	0	98
Total	95	95	98	98
Commercial S.F. ⁽⁶⁾	3,000	3,000	0	0
Parking Spaces				
Residential ⁽⁷⁾	118	213	122	220
Commercial ⁽⁸⁾	3	3	0	0
Replacement ⁽⁹⁾	<u>219</u>	<u>219</u>	<u>219</u>	<u>219</u>
Total	340	435	341	439
Subsidy Needed ⁽¹⁰⁾	\$0	\$16,946,799	\$0	\$17,242,578
Subsidy Per Aff. Unit	\$0	\$0	\$0	\$0
% Affordable Units	100%	0%	100%	0%
Potential City Return	\$0	\$0	\$0	\$0

Footnotes to Table 8

- (1) Assumes proceeds from a 9 percent tax credit on the eligible cost basis. The cost of replacement parking is included, assuming the public parking structure is owned by the project and allows for the non-exclusive use of the spaces by residents, or the City creates or utilizes its parking district to levy a parking fee equivalent to the per space cost of replacement parking.
- (2) The addition of market rate units does not improve the feasibility of the project. An 100 percent market rate rental project is infeasible.
- (3) Assumes a four-story above ground mixed-use project including two-stories of housing above two levels of parking (one below and one above grade). The affordable and market units are on average 850 square feet. The 9 percent tax credit scenario requires 50 percent three-bedroom units and 25 percent one- and two-bedroom units in order to be competitive for credits. These scenarios result in approximately 60 units per acre for both the affordable and market rate housing projects. These densities represent a density bonus in the range of 340 percent. See **Appendix B** for detailed development programs and financial analysis.
- (4) Assumes an average \$645 per month affordable rent for the designated mix of households at 47 percent AMI, based on an AMI of \$60,600. This assumes the tenant pays for utilities.
- (5) Assumes \$1.8 per s.f. monthly rent, resulting in \$1,530 per month rent for 850 s.f. unit.
- (6) Assumes commercial square footage is converted to additional housing. Revenues from commercial development cover the associated costs, not including the cost of replacement parking.
- (7) Assumes one space per affordable unit and two spaces per market rate unit, as well as one visitor space for every four units.
- (8) Assumes one space per 500 square feet of commercial space, and a 50 percent zone-to-benefit.
- (9) Assumes a 1:1 replacement policy.
- (10) Financial analysis assumes no land acquisition cost. If successful at competing for 9 percent tax credits, these scenarios could generate sufficient proceeds to help cover almost the full cost of development including replacement parking.

Sources: City of Santa Barbara, Peikert Group Architects, Frank Thompson Housing Consultant, and Economic & Planning Systems

SUMMARY OF FINDINGS

1. *The analysis completed for this Report indicates that the City could use existing surface parking lots for new housing.*

The use of existing surface lots for housing would replace existing surface parking with a structure that included housing uses generally located above a structured parking lot. While these projects would be costly and complex, strong housing demand and funding available for affordable housing projects can overcome these hurdles in some cases, without substantial net cost to the City. Depending upon the approach taken (e.g., which lots, which development scenario) up to approximately 100 affordable units could be constructed in the downtown area using an existing lot. Subsidies available will dictate the number of units available to households at or below Area Median Income (AMI).

2. *Several parking lots are physically well-suited for housing.*

Based on an evaluation of the opportunities and constraints of the nine surface lots, the sites were ranked according to their potential for an affordable housing project. The Cota Commuter and Louise Lowry lots were the highest ranked lots and became the subject of detailed financial feasibility analysis. The evaluation criteria used to rank the sites were organized by five broad categories including the sites' suitability for residential development, accessibility, parking issues, environmental concerns, and site development potential.

3. *The Louise Lowry lot can accommodate between 20 and 47 affordable units and the Cota Commuter lot between 34 and 81 affordable units, depending on the tenure of the project, the number of affordable units, the level of subsidy, the affordability level, and the presence of ground floor commercial space.*

A 100 percent affordable ownership project developed on the Louise Lowry lot results in 37 affordable townhomes, and requires a \$98,000- or \$53,000-per unit subsidy for units priced at 100 percent and 120 percent of AMI, respectively. The Cota Commuter lot can accommodate 74 affordable units in the same type of project, resulting in similar subsidy requirements. If market rate units are included in the project and the number of affordable units is reduced, the subsidy requirement can be eliminated. This scenario results in the development of between 20 and 25 affordable units on the Louise Lowry site, and between 34 and 50 affordable units on the Cota lot, depending on the affordability level. The number of affordable units can be increased for both lots, if ground floor commercial space is replaced by additional units. Although in certain cases the middle income scenarios results in a subsidy requirement, few funding sources are made available to this higher income level. Other funding sources would need to be identified in order to facilitate the development of an affordable middle-income housing project.

4. *The rental housing scenarios that are competitive for nine-percent tax credits will require minimal subsidy from the City.*

The nine-percent tax credit scenarios assume all of the units will be affordable rental units, made available to households earning a maximum of 47 percent of AMI, and will represent a mix of units, consisting of at least one-third three-bedroom units. These scenarios were developed to be competitive for the nine-percent tax credits. Under these scenarios, the Louise Lowry site accommodates 39 affordable units and the Cota Commuter lot 78 affordable units, assuming ground floor commercial development in both projects. Despite the minimal subsidy shown to be required by the City for these scenarios in this analysis, the City will be expected to provide funding to the project in order to be competitive for the tax credits.

As assumed for this analysis, the cost of replacement parking is included in the costs eligible to be covered by tax credit proceeds, requiring the City to structure the development transaction in one of two ways: (1) the City does not maintain ownership of the project, but leases back the public parking structure; or (2) the City creates a special parking district for the project and levies a per unit parking assessment equal to the cost of replacement parking. Further research would need to be conducted to understand in greater detail the implications of these potential deal structures. Although not estimated in this analysis, an affordable housing project could also compete for four percent tax credits, and use the four percent tax credit proceeds in conjunction with tax-exempt bonds. This would likely require a higher per unit subsidy from the City.

5. *A partial four-story project is also considered for the Cota Commuter lot, resulting in additional affordable units.*

Depending on the scenario, the 4-story Cota project could hold between 51 and 98 affordable units. A 100 percent affordable ownership project, including ground floor commercial, results in 90 affordable units, and a \$78,000- or \$33,000-per unit subsidy for homes priced at 100 percent and 120 percent AMI, respectively. The nine-percent tax credit rental scenarios result in approximately 95 to 98 affordable units, requiring a nominal subsidy from the City.

6. *The financial implications to the City of developing a market rate ownership project to generate funds to purchase land elsewhere in the City to develop affordable housing was also evaluated.*

Depending on the scenario, the City could generate between \$2.1 and \$2.2 million from a market rate ownership project on the Louise Lowry lot, and approximately \$4.4 million for the same type of project on the Cota lot. Given the high-cost and scarcity of land in Santa Barbara, it is unlikely that these amounts could cover the cost of acquiring land and developing an affordable

housing project of similar scale elsewhere in the City. In the case of a market rate rental housing scenario, revenues do not exceed the costs, given low revenues in comparison to ownership units and the high-cost of replacement parking.

7. This analysis implies that certain exceptions are made to the City's current development standards and/or common development practices.

Depending on the scenario, these exceptions could include accepting density bonuses in the range of 200 to 340 percent, reducing the City's parking standard for mixed-income projects, and structuring a special transaction for the tax credit scenario to help cover the cost of replacement parking. A 100 percent affordable housing project at this density is not unprecedented in the City.

NEXT STEPS

This Report simply clarifies that the concept of building housing over existing surface parking lots in downtown Santa Barbara can be feasible. Following review of this Report a decision can be taken regarding the broader issues that may be involved with the concept including the necessary policy commitments and changes, as well as any related opportunity costs (e.g., loss of potential expansion of parking). A decision to pursue a specific project will require a more focused and precise effort. Generally such development would be pursued through a developer solicitation. Depending upon the success of a prototype project, additional projects on other selected lots could be pursued.

II. SITE EVALUATION

This Chapter sets forth the evaluation criteria and methodology for determining the most appropriate sites among the City's nine downtown surface parking lots for affordable housing and presents the results of the site evaluation and ranking. The results of this process provided a basis for selecting two of the most suitable sites. The selected sites became the subject of a detailed financial feasibility analysis presented in the subsequent chapter.

The findings from the site evaluation are presented in **Tables 9** through **11**. The evaluation criteria, their associated weights, and the ranking of the sites were developed in conjunction with Peikert Group Architects and City staff. The following is a summary of the weighted rankings of the nine surface parking lots for conversion to an affordable housing project:

Property	Location	Weighted Ranking
Cota Commuter Lot	Cota Street	1
Louise Lowry	Chapala & Victoria	2
Lot #8	Anacapa Street	3
Lot #5	Chapala & Victoria	4
Lot #4	Chapala & Anapamu	5
Lot #11	Anacapa & Haley	6
Carrillo Commuter Lot	Carrillo Street	7
Lot #12	Gutierrez Street	8
Lot #3	Chapala & Figueroa	9

Table 9
Assumptions for Parking Lot Comparative Matrix
Santa Barbara Parking Lot Conversion

Evaluation Criteria	Desired Attribute	Highest Ranking	Measure	Assigned Value	Source
Suitability for Residential Development					
Late night noise and security	Low Noise Levels	Low	Low-Medium-High	1,0,-1	Informed Evaluation
Air and noise pollution	Low Pollution Levels	Low	Low-Medium-High	1,0,-1	Informed Evaluation/City
Accessibility					
Transit	Proximity	On-Route	OnRoute-Near Route-Not Served	1,0,-1	Informed Evaluation
Commercial/retail amenities	Proximity	Adjacent	Adjacent-Nearby-Far Away	1,0,-1	Informed Evaluation
Nearby open space	Proximity	Adjacent	Adjacent-Nearby-Far Away	1,0,-1	Informed Evaluation
Parking Issues					
Parking utilization	Low Utilization	<85%	<85%, 85%+	1,-1	City Parking Data
Time of peak usage	Daytime Use	Positive	Positive-Neutral-Negative	1,0,-1	City Parking Data
Environmental Concerns					
Disturbance of archaeological/historic resources	None Required	Low	Low-Neutral-High	1,0,-1	City Env. Assessment
Hazardous materials	None Present	Low	Low-High	1,-1	Data Not Available
Traffic	Low Traffic Volumes	Low	Low-Medium-High	1,0,-1	City Traffic Assessment
Site Development Potential					
Parcel size	Large Site	Large	Small-Medium-Large	1,-1	City Parking Data
Site access	Easily Accessed	Positive	Positive-Neutral-Negative	1,0,-1	Informed Evaluation
Parcel configuration	Easily Developable	Positive	Positive-Neutral-Negative	1,0,-1	Informed Evaluation
Density potential	High/Medium Density	High	High-Medium-Low	1,0,-1	Informed Evaluation

Sources: City of Santa Barbara, Peikert Group
and Economic & Planning Systems

Table 11
Weighted Ranking of Parking Lots
Santa Barbara Parking Lot Conversion

Evaluation Criteria	Criteria Weight 5=Most Important 1=Least Important	Parking Lot								
		Lot #3 Chapala & Figueroa	Lot #4 Chapala & Anapamu	Lot #5 Chapala & Victoria	Lot #8 Anacapa Street	Lot #11 Anacapa & Haley	Lot #12 Gutierrez Street	Commuter Carrillo Street	Commuter Cota Street	L. Lowry Chapala & Victoria
Suitability for Residential Development										
Late night noise and security	5	0	0	0	0	-5	0	0	5	5
Air and noise pollution	5	-5	0	0	0	0	-5	-5	5	5
Accessibility										
Transit	1	1	1	1	1	1	1	1	1	1
Commercial/retail amenities	2	2	2	2	2	2	2	2	2	2
Nearby open space	2	0	0	2	0	2	0	0	2	2
Parking Issues										
Parking utilization	3	-3	-3	-3	3	-3	3	3	3	3
Time of peak usage	3	0	0	-3	3	-3	0	3	3	3
Environmental Concerns										
Disturbance of archaeological/historic resources	1	0	0	0	0	0	0	0	0	0
Hazardous materials	1	1	1	1	1	1	1	1	1	1
Traffic	3	0	0	0	0	0	-3	-3	0	3
Site Development Potential										
Parcel size	3	0	0	3	0	3	-3	-3	3	-3
Site access	2	0	0	0	-2	2	0	-2	2	2
Parcel configuration	2	0	0	0	-2	0	2	2	2	2
Density potential	3	3	3	3	3	3	3	3	3	0
TOTAL SCORE	36	-1	4	6	9	3	1	2	32	26
Rank		9	5	4	3	6	8	7	1	2

Sources: City of Santa Barbara, Peikert Group
and Economic & Planning Systems